

TOWNSHIP OF AU GRES  
Arenac County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Au Gres	<b>County</b> Arenac
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> July 24, 2007	<b>Date Accountant Report Submitted to State:</b> July 31, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> Campbell, Kusterer & Co., PC		<b>Zip</b> 48707	

TOWNSHIP OF AU GRES  
Arenac County, Michigan

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Arenac County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **INDEPENDENT AUDITOR'S REPORT**

July 24, 2007

To the Township Board  
Township of Au Gres  
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Au Gres, Arenac County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Au Gres's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Au Gres, Arenac County, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF AU GRES  
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Au Gres covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$521,220.47 for governmental activities and \$100,263.77 for business activities (water). Overall net assets increased \$80,857.41.

Overall revenues were \$413,534.65 (\$392,562.28 from governmental activities and \$20,972.37 from business-type activities (water).

Taxable value increased \$2,591,630.00 or approximately 7% from \$37,966,744.00 in 2005 to \$40,588,374.00 in 2006.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Garbage Fund, Road Fund, Water Fund, Bay Ridge Drive Fund, Booth Road Fund, Mosquito Fund, Gypsy Moth Fund and Bond Fund.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

**Governmental Funds:** Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Garbage Fund, Road Fund, Bay Ridge Drive Fund, Booth Road Fund, Mosquito Fund, Gypsy Moth Fund and Bond Fund.

**Business-Type Funds:** The Township has a Water Fund which includes the activity of providing water to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

Our external debt includes two years remaining at \$85,000.00 for the hard-surfacing of roads in the form of outstanding bonds and thirteen years remaining for the township hall improvements in the form of an installment loan owing \$46,492.23.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The Garbage Fund pays for Township trash collection, which is a special assessment. The Road Fund pays for general road maintenance. The Mosquito and Gypsy Moth Funds are voter approved millages. \$25,778.30 was paid out of the Mosquito fund for mosquito control. Bay Ridge Drive and Booth Road Funds are used for special assessments tax funds used to pay off the Road Bond obligation. The Bond Fund is the holding account for bond payments; \$39,372.50 was paid to the bondholder. The Tax Fund is used as a holding account for property tax payments. The Water Fund is a business-type account for the Township's water customers.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$37,095.39 of principal on long-term debt.

There was \$6,000.00 invested in capital assets.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

State revenue sharing is the main source of financing for the Township. The future of state revenue sharing is very uncertain and may cause difficulties for the Township in the future. The population of the Township remained the same from the 1990 to the year 2000 census. Only a modest 7% taxable value increase occurred within the Township.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1865 Swenson Road, P.O. Box 783, Au Gres, Michigan 48703 or by calling 989-876-7293 or via fax 989-876-4190.



TOWNSHIP OF AU GRES  
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	534 413 85	17 668 16	552 082 01
Taxes receivable	18 589 84	-	18 589 84
Accounts receivable	-	812 21	812 21
Special assessments receivable	11 627 54	-	11 627 54
Total Current Assets	<u>564 631 23</u>	<u>18 480 37</u>	<u>583 111 60</u>
NON-CURRENT ASSETS:			
Capital Assets	117 306 95	184 546 44	301 853 39
Less: Accumulated Depreciation	<u>(29 225 48)</u>	<u>(101 500 52)</u>	<u>(130 726 00)</u>
Total Non-current Assets	<u>88 081 47</u>	<u>83 045 92</u>	<u>171 127 39</u>
TOTAL ASSETS	<u>652 712 70</u>	<u>101 526 29</u>	<u>754 238 99</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	-	1 262 52	1 262 52
Total Current Liabilities	<u>-</u>	<u>1 262 52</u>	<u>1 262 52</u>
NON-CURRENT LIABILITIES:			
Loan payable	46 492 23	-	46 492 23
Bonds payable	85 000 00	-	85 000 00
Total Non-current Liabilities	<u>131 492 23</u>	<u>-</u>	<u>131 492 23</u>
Total Liabilities	<u>131 492 23</u>	<u>1 262 52</u>	<u>132 754 75</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	41 589 24	83 045 92	124 635 16
Reserved for debt service	713 07	-	713 07
Unrestricted	478 918 16	17 217 85	496 136 01
Total Net Assets	<u>521 220 47</u>	<u>100 263 77</u>	<u>621 484 24</u>
TOTAL LIABILITIES AND NET ASSETS	<u>652 712 70</u>	<u>101 526 29</u>	<u>754 238 99</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:				
Legislative	79 527 70	-	-	(79 527 70)
General government	103 273 27	25 602 03	23 174 75	(54 496 49)
Public safety	4 052 29	-	-	(4 052 29)
Public works	113 126 43	93 950 27	-	(19 176 16)
Culture and recreation	1 958 83	-	-	(1 958 83)
Interest on long-term debt	6 955 19	-	-	(6 955 19)
Total Governmental Activities	<u>308 893 71</u>	<u>119 552 30</u>	<u>23 174 75</u>	<u>(166 166 66)</u>
Business-Type Activities:				
Water	<u>23 830 34</u>	<u>20 972 37</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>23 830 34</u>	<u>20 972 37</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>332 724 05</u>	<u>140 524 67</u>	<u>23 174 75</u>	<u>(166 166 66)</u>
General Revenues:				
Property taxes				153 661 12
Other taxes				2 143 77
State revenue sharing				70 775 66
Interest				9 680 30
Transfers				6 285 05
Miscellaneous				<u>13 574 38</u>
Total General Revenues				<u>256 120 28</u>
Change in net assets				89 953 62
Net assets, beginning of year				<u>431 266 85</u>
Net Assets, End of Year				<u>521 220 47</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(79 527 70)
-	(54 496 49)
-	(4 052 29)
-	(19 176 16)
-	(1 958 83)
-	(6 955 19)
-	(166 166 66)
(2 857 97)	(2 857 97)
(2 857 97)	(2 857 97)
(2 857 97)	(2 857 97)
-	153 661 12
-	2 143 77
-	70 775 66
46 81	9 727 11
(6 285 05)	-
-	13 574 38
(6 238 24)	249 882 04
(9 096 21)	80 857 41
109 359 98	540 626 83
100 263 77	621 484 24

TOWNSHIP OF AU GRES  
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2007

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
<u>Assets</u>				
Cash in bank	159 478 69	37 060 29	90 838 62	114 848 45
Taxes receivable	5 218 57	-	4 457 09	4 457 09
Special assessments receivable	-	7 461 50	-	-
Due from other funds	<u>18 075 70</u>	<u>1 605 80</u>	<u>975 73</u>	<u>975 22</u>
Total Assets	<u>182 772 96</u>	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved:				
Undesignated	<u>182 772 96</u>	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>
Total fund equity	<u>182 772 96</u>	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>
Total Liabilities and Fund Equity	<u>182 772 96</u>	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Bond</u>	<u>Other Funds</u>	<u>Total</u>
79 910 26	713 07	44 846 28	527 695 66
4 457 09	-	-	18 589 84
-	-	4 166 04	11 627 54
<u>975 22</u>	<u>-</u>	<u>1 205 62</u>	<u>23 813 29</u>
<u>85 342 57</u>	<u>713 07</u>	<u>50 217 94</u>	<u>581 726 33</u>
<u>17 095 10</u>	<u>-</u>	<u>-</u>	<u>17 095 10</u>
<u>17 095 10</u>	<u>-</u>	<u>-</u>	<u>17 095 10</u>
-	713 07	-	713 07
<u>68 247 47</u>	<u>-</u>	<u>50 217 94</u>	<u>563 918 16</u>
<u>68 247 47</u>	<u>713 07</u>	<u>50 217 94</u>	<u>564 631 23</u>
<u>85 342 57</u>	<u>713 07</u>	<u>50 217 94</u>	<u>581 726 33</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	564 631 23
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	117 306 95
Accumulated depreciation	(29 225 48)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Loan Payable	(46 492 23)
Bonds payable	<u>(85 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>521 220 47</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
Revenues:				
Property taxes	34 573 03	-	39 468 33	39 809 53
Other taxes	2 143 77	-	-	-
Licenses and permits	5 928 76	-	-	-
State revenue sharing	70 775 66	-	-	-
State grant	23 174 75	-	-	-
Charges for services – PTAF	19 123 27	-	-	-
Charges for services – Other	550 00	-	-	-
Interest	6 935 46	59 82	500 20	1 930 13
Special assessments	-	54 321 37	-	-
Miscellaneous	13 574 38	-	-	-
Total revenues	<u>176 779 08</u>	<u>54 381 19</u>	<u>39 968 53</u>	<u>41 739 66</u>
Expenditures:				
Legislative:				
Township Board	79 527 70	-	-	-
General government:				
Supervisor	5 703 96	-	-	-
Elections	4 411 03	-	-	-
Assessor	16 403 17	-	-	-
Clerk	7 890 10	-	-	-
Board of Review	1 501 39	-	-	-
Treasurer	12 338 26	-	-	-
Building and grounds	18 973 18	-	-	-
Cemetery	6 056 55	-	-	-
Mosquito control	-	-	-	-
Public safety:				
Building inspection	1 766 10	-	-	-
Planning and zoning	2 286 19	-	-	-
Public works:				
Highways and streets	-	-	56 785 72	-
Street lights	3 028 39	-	-	-
Sanitation	-	50 149 05	-	-
Drains	2 933 27	-	-	-
Culture and recreation:				
Parks and recreation	625 83	-	-	-
Capital outlay	6 000 00	-	-	-
Debt service	4 678 08	-	-	-
Total expenditures	<u>174 123 20</u>	<u>50 149 05</u>	<u>56 785 72</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2 655 88</u>	<u>4 232 14</u>	<u>(16 817 19)</u>	<u>41 739 66</u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Bond</u>	<u>Other Funds</u>	<u>Total</u>
39 810 23	-	-	153 661 12
-	-	-	2 143 77
-	-	-	5 928 76
-	-	-	70 775 66
-	-	-	23 174 75
-	-	-	19 123 27
-	-	-	550 00
113 73	34 98	105 98	9 680 30
-	-	39 628 90	93 950 27
-	-	-	13 574 38
<u>39 923 96</u>	<u>34 98</u>	<u>39 734 88</u>	<u>392 562 28</u>
-	-	-	79 527 70
-	-	-	5 703 96
-	-	-	4 411 03
-	-	-	16 403 17
-	-	-	7 890 10
-	-	-	1 501 39
-	-	-	12 338 26
-	-	-	18 973 18
-	-	-	6 056 55
25 778 30	-	-	25 778 30
-	-	-	1 766 10
-	-	-	2 286 19
-	-	-	56 785 72
-	-	-	3 028 39
-	-	-	50 149 05
-	-	-	2 933 27
-	-	-	625 83
-	-	-	6 000 00
-	39 372 50	-	44 050 58
<u>25 778 30</u>	<u>39 372 50</u>	<u>-</u>	<u>346 208 77</u>
<u>14 145 66</u>	<u>(39 337 52)</u>	<u>39 734 88</u>	<u>46 353 51</u>



TOWNSHIP OF AU GRES  
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
Other financing sources (uses):				
Operating transfers in	6 285 05	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>6 285 05</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	8 940 93	4 232 14	(16 817 19)	41 739 66
Fund balances, April 1	<u>173 832 03</u>	<u>41 895 45</u>	<u>113 088 63</u>	<u>78 541 10</u>
Fund Balances, March 31	<u><u>182 772 96</u></u>	<u><u>46 127 59</u></u>	<u><u>96 271 44</u></u>	<u><u>120 280 76</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Bond</u>	<u>Other Funds</u>	<u>Total</u>
-	37 186 25	-	43 471 30
-	-	(37 186 25)	(37 186 25)
-	<u>37 186 25</u>	<u>(37 186 25)</u>	<u>6 285 05</u>
14 145 66	(2 151 27)	2 548 63	52 638 56
<u>54 101 81</u>	<u>2 864 34</u>	<u>47 669 31</u>	<u>511 992 67</u>
<u>68 247 47</u>	<u>713 07</u>	<u>50 217 94</u>	<u>564 631 23</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 52 638 56

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(5 780 33)
Capital Outlay	6 000 00

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>37 095 39</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>89 953 62</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS  
March 31, 2007

	<u>Enterprise (Water)</u>
<u>Assets</u>	
Cash in bank	17 668 16
Accounts receivable	812 21
Water system	184 546 44
Accumulated depreciation	<u>(101 500 52)</u>
Total Assets	<u>101 526 29</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	<u>1 262 52</u>
Total liabilities	<u>1 262 52</u>
Net assets:	
Invested in capital assets, net of related debt	83 045 92
Unrestricted	<u>17 217 85</u>
Total net assets	<u>100 263 77</u>
Total Liabilities and Net Assets	<u>101 526 29</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
ALL PROPRIETARY FUNDS  
Year ended March 31, 2007

	<u>Enterprise (Water)</u>
Operating revenues:	
Service charges	<u>20 972 37</u>
Total operating revenues	<u>20 972 37</u>
Operating expenses:	
Cost of water	<u>19 216 68</u>
Total operating expenses before depreciation	<u>19 216 68</u>
Operating income before depreciation	1 755 69
Less depreciation	<u>(4 613 66)</u>
Operating income (loss)	<u>(2 857 97)</u>
Non-operating income (expense):	
Interest earnings	46 81
Transfers to other funds	<u>(6 285 05)</u>
Net non-operating income (expense)	<u>(6 238 24)</u>
Net income (loss)	(9 096 21)
Net assets, beginning of year	<u>109 359 98</u>
Net Assets, End of Year	<u>100 263 77</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS  
Year ended March 31, 2007

	<u>Enterprise (Water)</u>
Cash flows from operating activities:	
Cash received from customers	20 575 44
Cash payments to suppliers for goods and services	<u>(19 172 50)</u>
Net cash provided (used) for operating activities	<u>1 402 94</u>
Cash flows from non-capital financing activities:	
Transfers (to) from other funds	<u>(6 285 05)</u>
Net cash provided (used) from non-capital financing activities	<u>(6 285 05)</u>
Cash flows from investing activities:	
Interest income	<u>46 81</u>
Net cash provided (used) for investing activities	<u>46 81</u>
Net increase (decrease) in cash	(4 835 30)
Cash beginning of year	<u>22 503 46</u>
Cash End of Year	<u><u>17 668 16</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(2 857 97)
Depreciation	4 613 66
Increase (decrease) in assets and liabilities:	
Accounts receivable	(396 93)
Accounts payable	<u>44 18</u>
Net Cash Provided (Used) for Operating Activities	<u><u>1 402 94</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Au Gres, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Au Gres. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Enterprise Fund

The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.



TOWNSHIP OF AU GRES  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 3.7356 mills, and the taxable value was \$40,558,374.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-60 years
Furniture and equipment	6-15 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**Note 3 – Deposits and Investments (continued)**

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>584 243 03</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	142 946 62
Uninsured and Uncollateralized	<u>441 460 80</u>
Total Deposits	<u>584 407 42</u>

The Township of Au Gres did not have any investments as of March 31, 2007.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land and improvements	45 060 00	-	-	45 060 00
Buildings and improvements	52 446 00	-	-	52 446 00
Equipment	<u>16 700 95</u>	<u>6 000 00</u>	<u>(2 900 00)</u>	<u>19 800 95</u>
Total	114 206 95	6 000 00	(2 900 00)	117 306 95
Accumulated Depreciation	<u>(26 345 15)</u>	<u>(5 780 33)</u>	<u>2 900 00</u>	<u>(29 225 48)</u>
Net Governmental Capital Assets	<u>87 861 80</u>	<u>219 67</u>	<u>-</u>	<u>88 081 47</u>
<u>Business-Type Activities:</u>				
Water System	184 546 44	-	-	184 546 44
Accumulated Depreciation	<u>(96 886 86)</u>	<u>(4 613 66)</u>	<u>-</u>	<u>(101 500 52)</u>
Net Business-Type Capital Assets	<u>87 659 58</u>	<u>(4 613 66)</u>	<u>-</u>	<u>83 045 92</u>

**Note 5 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**Note 6 – Pension Plan**

The Township has a defined contribution pension plan covering all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. Each covered employee also contributes to the plan. The net pension expense for the fiscal year ended March 31, 2007, was \$150.00.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

As of March 31, 2007, the Township had building permit revenues of \$2,558.00 and building permit expenses of \$1,766.10.

**Note 9 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
Bonds Payable – Roads	120 000 00	-	35 000 00	85 000 00
Loan Payable	48 587 62	-	2 095 39	46 492 23
Total	<u>168 587 62</u>	<u>-</u>	<u>37 095 39</u>	<u>131 492 23</u>

**Note 10 – Bonds Payable – Roads**

During the year 2004-2005, the Township sold bonds in the amount of \$170,000.00 to partially fund road work. The scheduled principal payments of \$40,000.00 and \$45,000.00, respectively, are due on April 1 during each of the next two years. The interest rate varies from 2.3% to 3.7%, per annum. The principal balance outstanding on March 31, 2007, was \$85,000.00.

**Note 11 – Loan Payable – Township Hall Improvements**

On June 13, 2005, the Township obtained a loan in the amount of \$51,000.00 to fund improvements to the Township hall. The loan requires monthly payments of \$389.84 including interest at the rate of 4.50% per annum. As of March 31, 2007, the principal balance outstanding was \$46,492.23.

TOWNSHIP OF AU GRES  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 12 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Road	975 73	Current Tax Collection	975 73
General	17 095 10	Mosquito	17 095 10
Garbage	1 605 80	Current Tax Collection	1 605 80
General	980 60	Current Tax Collection	980 60
Gypsy Moth	975 22	Current Tax Collection	975 22
Mosquito	975 22	Current Tax Collection	975 22
Bay Ridge Drive	220 96	Current Tax Collection	220 96
Booth Road	<u>984 66</u>	Current Tax Collection	<u>984 66</u>
Total	<u>23 813 29</u>	Total	<u>23 813 29</u>

Note 13 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfers Out</u>
Bond Fund	12 643 32	Bay Ridge Drive	12 643 32
Bond Fund	24 542 93	Booth Road	24 542 93
General	<u>6 285 05</u>	Water	<u>6 285 05</u>
Total	<u>43 471 30</u>	Total	<u>43 471 30</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	30 000 00	33 323 00	34 573 03	1 250 03
Other taxes	2 200 00	1 960 00	2 143 77	183 77
Licenses and permits	7 150 00	4 600 00	5 928 76	1 328 76
State revenue sharing	68 700 00	69 681 00	70 775 66	1 094 66
State grant	-	6 000 00	23 174 75	17 174 75
Charges for services:				
PTAF	10 750 00	18 405 00	19 123 27	718 27
Other	400 00	400 00	550 00	150 00
Interest	9 334 00	6 507 00	6 935 46	428 46
Miscellaneous	<u>8 850 00</u>	<u>34 407 00</u>	<u>13 574 38</u>	<u>(20 832 62)</u>
Total revenues	<u>137 384 00</u>	<u>175 283 00</u>	<u>176 779 08</u>	<u>1 496 08</u>
Expenditures:				
Legislative:				
Township Board	63 100 00	93 200 00	79 527 70	(13 672 30)
General government:				
Supervisor	6 800 00	6 800 00	5 703 96	(1 096 04)
Elections	4 500 00	5 500 00	4 411 03	(1 088 97)
Assessor	12 100 00	16 550 00	16 403 17	(146 83)
Clerk	8 700 00	8 900 00	7 890 10	(1 009 90)
Board of Review	1 950 00	1 750 00	1 501 39	(248 61)
Treasurer	15 250 00	15 450 00	12 338 26	(3 111 74)
Building and grounds	28 700 00	27 500 00	18 973 18	(8 526 82)
Cemetery	8 500 00	8 500 00	6 056 55	(2 443 45)
Public safety:				
Building inspection	5 800 00	3 800 00	1 766 10	(2 033 90)
Planning and zoning	3 500 00	3 800 00	2 286 19	(1 513 81)
Public works:				
Street lights	5 100 00	5 230 00	3 028 39	(2 201 61)
Drains	3 000 00	3 000 00	2 933 27	(66 73)
Culture and recreation:				
Library	100 00	100 00	-	(100 00)
Parks and recreation	1 500 00	1 500 00	625 83	(874 17)
Capital outlay	-	6 000 00	6 000 00	-
Debt service	<u>5 000 00</u>	<u>5 000 00</u>	<u>4 678 08</u>	<u>(321 92)</u>
Total expenditures	<u>173 600 00</u>	<u>212 580 00</u>	<u>174 123 20</u>	<u>(38 456 80)</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues over expenditures	<u>(36 216 00)</u>	<u>(37 297 00)</u>	<u>2 655 88</u>	<u>39 952 88</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>6 285 05</u>	<u>6 285 05</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>6 285 05</u>	<u>6 285 05</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(36 216 00)</u>	<u>(37 297 00)</u>	<u>8 940 93</u>	<u>46 237 93</u>
Fund balance, April 1	<u>36 216 00</u>	<u>37 297 00</u>	<u>173 832 03</u>	<u>136 535 03</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>182 772 96</u>	<u>182 772 96</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	59 82	59 82
Special assessments	<u>49 540 00</u>	<u>50 438 00</u>	<u>54 321 37</u>	<u>3 883 37</u>
Total revenues	<u>49 540 00</u>	<u>50 438 00</u>	<u>54 381 19</u>	<u>3 943 19</u>
Expenditures:				
Public works:				
Sanitation	<u>52 648 00</u>	<u>51 238 00</u>	<u>50 149 05</u>	<u>(1 088 95)</u>
Total expenditures	<u>52 648 00</u>	<u>51 238 00</u>	<u>50 149 05</u>	<u>(1 088 95)</u>
Excess (deficiency) of revenues over expenditures	(3 108 00)	(800 00)	4 232 14	5 032 14
Fund balance, April 1	<u>3 108 00</u>	<u>800 00</u>	<u>41 895 45</u>	<u>41 095 45</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>46 127 59</u>	<u>46 127 59</u>



TOWNSHIP OF AU GRES  
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	35 196 00	100 441 00	39 468 33	(60 972 67)
Interest	-	-	500 20	500 20
Total revenues	<u>35 196 00</u>	<u>100 441 00</u>	<u>39 968 53</u>	<u>(60 472 47)</u>
Expenditures:				
Public works:				
Highways and streets	<u>35 196 00</u>	<u>100 441 00</u>	<u>56 785 72</u>	<u>(43 655 28)</u>
Total expenditures	<u>35 196 00</u>	<u>100 441 00</u>	<u>56 785 72</u>	<u>(43 655 28)</u>
Excess of revenues over expenditures	-	-	(16 817 19)	(16 817 19)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>113 088 63</u>	<u>113 088 63</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>96 271 44</u>	<u>96 271 44</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GYPSY MOTH FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	35 218 00	37 911 00	39 809 53	1 898 53
Interest	-	-	1 930 13	1 930 13
Total revenues	<u>35 218 00</u>	<u>37 911 00</u>	<u>41 739 66</u>	<u>3 828 66</u>
Expenditures:				
General government:				
Gypsy moth	<u>35 218 00</u>	<u>37 911 00</u>	-	(37 911 00)
Total expenditures	<u>35 218 00</u>	<u>37 911 00</u>	-	(37 911 00)
Excess of revenues over expenditures	-	-	41 739 66	41 739 66
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>78 541 10</u>	<u>78 541 10</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>120 280 76</u>	<u>120 280 76</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

**BUDGETARY COMPARISON SCHEDULE – MOSQUITO FUND**  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	35 218 00	37 911 00	39 810 23	1 899 23
Interest	-	-	113 73	113 73
Total revenues	<u>35 218 00</u>	<u>37 911 00</u>	<u>39 923 96</u>	<u>2 012 96</u>
Expenditures:				
General government:				
Mosquito control	<u>35 218 00</u>	<u>37 911 00</u>	<u>25 778 30</u>	<u>(12 132 70)</u>
Total expenditures	<u>35 218 00</u>	<u>37 911 00</u>	<u>25 778 30</u>	<u>(12 132 70)</u>
Excess of revenues over expenditures	-	-	14 145 66	14 145 66
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>54 101 81</u>	<u>54 101 81</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>68 247 47</u>	<u>68 247 47</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Township Board:	
Salaries	5 595 00
Payroll taxes	1 058 22
Pension	150 00
Audit	2 600 00
Professional services	46 668 07
Memberships and dues	1 613 37
Insurance	16 710 00
Miscellaneous	5 133 04
	<u>79 527 70</u>
Supervisor:	
Salary	<u>5 703 96</u>
Elections:	
Contracted services	2 767 06
Supplies	1 643 97
	<u>4 411 03</u>
Assessor:	
Contracted services	15 382 84
Supplies	1 020 33
	<u>16 403 17</u>
Clerk:	
Salary	7 167 63
Supplies	19 93
Miscellaneous	702 54
	<u>7 890 10</u>
Board of Review:	
Wages	1 040 00
Miscellaneous	461 39
	<u>1 501 39</u>
Treasurer:	
Salary	7 570 96
Tax statement preparation	3 837 59
Miscellaneous	929 71
	<u>12 338 26</u>
Building and grounds:	
Contracted services	459 00
Utilities	5 218 86
Repairs and maintenance	11 238 45
Miscellaneous	2 056 87
	<u>18 973 18</u>
Cemetery:	
Wages	4 770 15
Repairs and maintenance	1 286 40
	<u>6 056 55</u>
Building inspection:	
Wages	<u>1 766 10</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Planning and zoning:	
Wages	1 850 00
Miscellaneous	<u>436 19</u>
	<u>2 286 19</u>
Highways and streets:	
Street lighting	<u>3 028 39</u>
Drains	<u>2 933 27</u>
Parks and recreation:	
Repairs and maintenance	<u>625 83</u>
Capital outlay	<u>6 000 00</u>
Debt service	<u>4 678 08</u>
Total Expenditures	<u><u>174 123 20</u></u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2007

	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>	<u>Mosquito</u>
<u>Assets</u>				
Cash in bank	37 060 29	90 838 62	114 848 45	79 910 26
Taxes receivable	-	4 457 09	4 457 09	4 457 09
Special assessments receivable	7 461 50	-	-	-
Due from other funds	<u>1 605 80</u>	<u>975 73</u>	<u>975 22</u>	<u>975 22</u>
Total Assets	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>	<u>85 342 57</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>17 095 10</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>17 095 10</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>	<u>68 247 47</u>
Total fund equity	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>	<u>68 247 47</u>
Total Liabilities and Fund Equity	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>	<u>85 342 57</u>

<u>Bay Ridge Dr.</u>	<u>Booth Road</u>	<u>Total</u>
24 435 28	20 411 00	367 503 90
-	-	13 371 27
883 84	3 282 20	11 627 54
<u>220 96</u>	<u>984 66</u>	<u>5 737 59</u>
<u>25 540 08</u>	<u>24 677 86</u>	<u>398 240 30</u>

<u>-</u>	<u>-</u>	<u>17 095 10</u>
<u>-</u>	<u>-</u>	<u>17 095 10</u>

<u>25 540 08</u>	<u>24 677 86</u>	<u>381 145 20</u>
<u>25 540 08</u>	<u>24 377 86</u>	<u>381 145 20</u>
<u>25 540 08</u>	<u>24 677 86</u>	<u>398 240 30</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year ended March 31, 2007

	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>	<u>Mosquito</u>
Revenues:				
Property taxes	-	39 468 33	39 809 53	39 810 23
Special assessments	54 321 37	-	-	-
Interest	<u>59 82</u>	<u>500 20</u>	<u>1 930 13</u>	<u>113 73</u>
Total revenues	<u>54 381 19</u>	<u>39 968 53</u>	<u>41 739 66</u>	<u>39 923 96</u>
Expenditures:				
General government:				
Mosquito control	-	-	-	25 778 30
Public works:				
Sanitation	50 149 05	-	-	-
Highways and streets	<u>-</u>	<u>56 785 72</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>50 149 05</u>	<u>56 785 72</u>	<u>-</u>	<u>25 778 30</u>
Excess (deficiency) of revenues over expenditures	<u>4 232 14</u>	<u>(16 817 19)</u>	<u>41 739 66</u>	<u>14 145 66</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	4 232 14	(16 817 19)	41 739 66	14 145 66
Fund balances, April 1	<u>41 895 45</u>	<u>113 088 63</u>	<u>78 541 10</u>	<u>54 101 81</u>
Fund Balances, March 31	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>	<u>68 247 47</u>



<u>Bay Ridge Dr.</u>	<u>Booth Road</u>	<u>Total</u>
-	-	119 088 09
13 699 52	25 929 38	93 950 27
<u>56 61</u>	<u>49 37</u>	<u>2 709 86</u>
<u>13 756 13</u>	<u>25 978 75</u>	<u>215 748 22</u>
-	-	25 778 30
-	-	50 149 05
<u>-</u>	<u>-</u>	<u>56 785 72</u>
<u>-</u>	<u>-</u>	<u>132 713 07</u>
<u>13 756 13</u>	<u>25 978 75</u>	<u>83 035 15</u>
<u>(12 643 32)</u>	<u>(24 542 93)</u>	<u>(37 186 25)</u>
<u>(12 643 32)</u>	<u>(24 542 93)</u>	<u>(37 186 25)</u>
1 112 81	1 435 82	45 848 90
<u>24 427 27</u>	<u>23 242 04</u>	<u>335 296 30</u>
<u>25 540 08</u>	<u>24 677 86</u>	<u>381 145 20</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>10 405 84</u>	<u>1 464 365 60</u>	<u>1 444 892 23</u>	<u>38 879 21</u>
<u>Liabilities</u>				
Due to other funds	2 098 81	274 730 98	270 111 60	6 718 19
Due to other units	<u>17 307 03</u>	<u>1 189 634 62</u>	<u>1 174 780 63</u>	<u>32 161 02</u>
Total Liabilities	<u>19 405 84</u>	<u>1 464 365 60</u>	<u>1 444 892 23</u>	<u>38 879 21</u>

TOWNSHIP OF AU GRES  
Arenac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2007

Cash in bank – beginning of year	<u>19 405 84</u>
Cash receipts:	
Property tax	1 451 090 38
Property tax administration fees	13 149 97
Interest	<u>125 25</u>
Total cash receipts	<u>1 464 365 60</u>
Total beginning balance and cash receipts	<u>1 483 771 44</u>
Cash disbursements:	
Township General Fund	63 613 87
Township Road Fund	37 956 07
Township Bay Ridge Fund	14 194 78
Township Mosquito Fund	37 956 22
Township Gypsy Moth Fund	37 956 22
Township Booth Road Fund	25 061 02
Township Garbage Fund	53 373 42
Arenac County	545 265 66
Au Gres Fire Authority	37 976 75
Bay Arenac Intermediate School District	177 674 81
Au Gres Sims School District	408 595 38
Refunds	<u>5 268 03</u>
Total cash disbursements	<u>1 444 892 23</u>
Cash in Bank – End of Year	<u>38 879 21</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

July 24, 2007

To the Township Board  
Township of Au Gres  
Arenac County, Michigan

We have audited the financial statements of the Township of Au Gres for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Au Gres in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Au Gres  
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants